2015 Full Year Results

30 June 2015

AVJennings

FY15 Highlights

- Profit before tax $48.2 million (up 78.3% from $27.0 million) and $34.4 million after tax
- Revenue $317.9 million (up 26.9% from $250.6 million)
- Contract signings up 22.8% to 1,737 in line with guidance and settlements up 22.6% to 1,538 contracts
- EPS up 82.8% to 9.0 cents per share and return on balance date market capitalisation increased to 13.9% from 8.6%
- Final fully franked dividend of 3 cents per share declared (a total of 4 cents for the year)
- dividend policy announced targeting payout of 40-50% of future period NPAT
    - total dividends declared since 2000 to FY15 inclusive is $185.8 million
- Lots under control up 10.6% to 10,198 lots
- $250 million Club debt facility approved and Multicurrency Medium Term Note Programme established
- Gearing (net debt/ total assets) remains low and further improved to 13.6% (total net debt $88.9 million) from 17.1%
- Adverse weather in NSW and Queensland impacted results in FY15

FY15 Results in Detail

	1H15	2H15	TOTAL FY15	1H14	2H14	TOTAL FY14
Revenues:	$118.5m	$199.4m	$317.9m	$104.3m	$146.3m	$250.6m
Profit before Tax: - statutory - excluding increase/decrease in impairment provision	 $16.8m $13.1m	 $31.4m $31.4m	 $48.2m $44.5m	 $12.5m $7.3m	 $14.5m $14.5m	 $27.0m $21.8m
Gross Margins:	26.9%	26.8%	26.8%	22.5%	21.5%	21.9%
Inventory Provision Write Back: - Before tax	 $3.7m	 NIL	 $3.7m	 $5.2m	 NIL	 $5.2m

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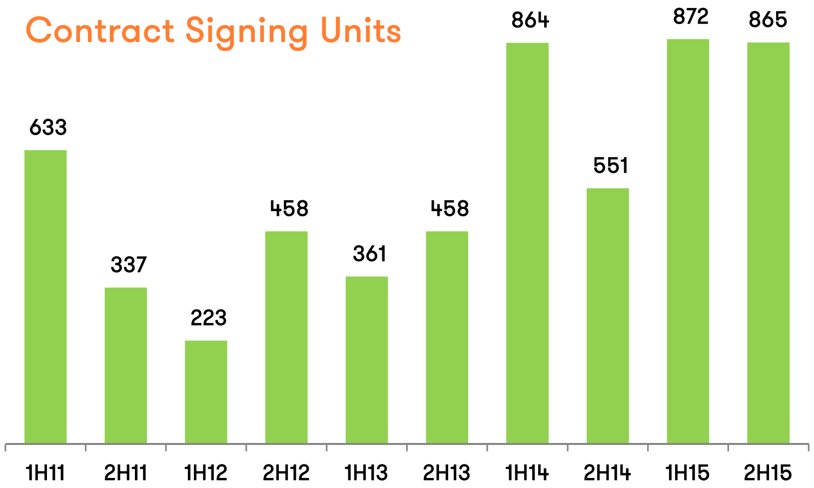
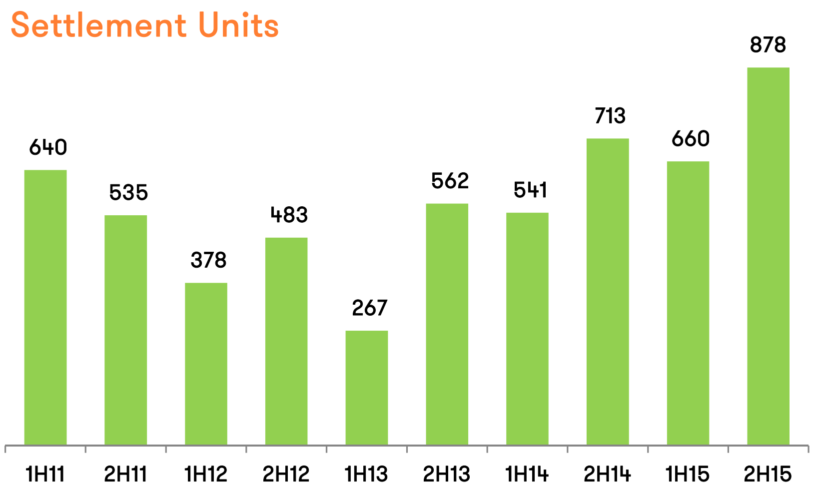
FY15 Results in Context





- Strong result reflects accelerated production, higher sales and gross margins and more settlements in most jurisdictions
- Standout contributors were New South Wales, Queensland and New Zealand
- Active project and product mix changes enabled us to capitalise on the strength of our markets

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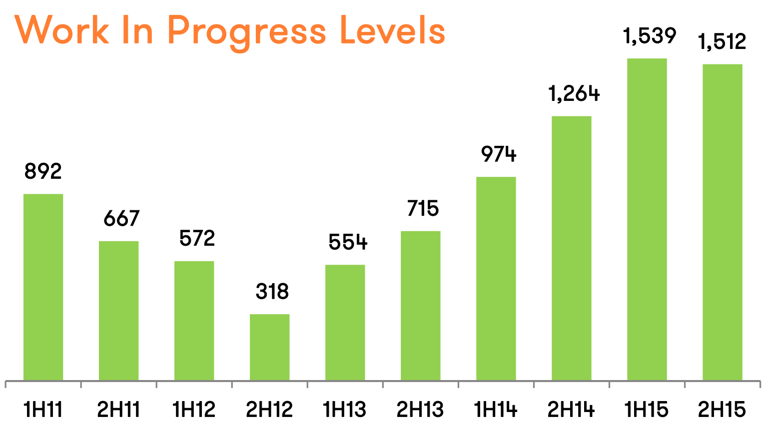
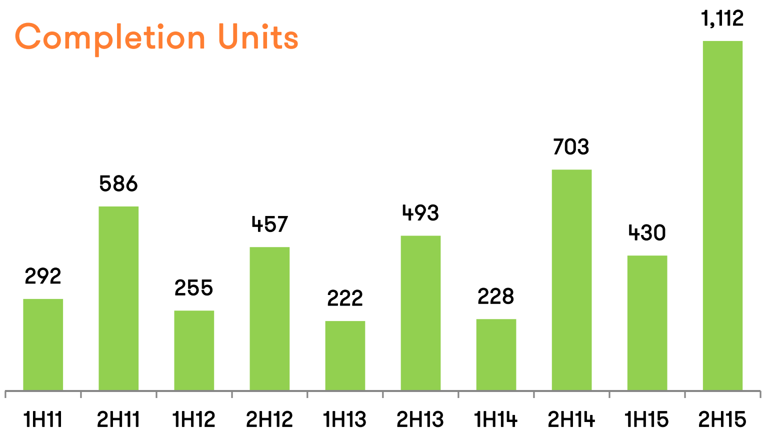
FY15 Results in Context





- WIP dipped in 2H15 due to high level of completions, increased bias to land sales (i.e. quicker turnover), strong builder sales and development staging
  - Expected to ramp up in FY16
  - Continuing emphasis on land only and builder sales expected to sustain revenue
  - 30 June 2015 WIP numbers lower by approximately 200 lots at Hobsonville compared to 31 December 2014.
    - Adding back the Hobsonville lots increases WIP to approximately 1,700 lots
    - Hobsonville is a B2B project with different timing profile

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FY15 Results & Outcomes

Inventory

- First increase since FY11: rose 10.6% to 10,198 lots despite increased production and sales activity over the year

- Growth remains an objective:
  - Especially zoned land in eastern seaboard capitals and Auckland
  - Off-market, counter-cyclical and capital-effective acquisitions targeted
  - IRR-driven investment analysis
  - Further diversification by product type, geography and lifecycle to manage risk
  - Increased focus on brownfield infill and low rise apartment sites

- New acquisitions included:
  - 'Waterline' Williamstown, Melbourne apartment & townhouse project (approx. 700 lots)
  - Warnervale, Central Coast New South Wales (estimated 595 lots)
  - land parcels at Cobbitty, Sydney (203 lots)
  - acquisition of remaining 50.0% interest in 'St Clair' Adelaide joint venture
  - investments in Perth (estimated 228 lots)
  - land parcel at Boundary Rd Schofields NSW (approx. 21 lots)

- Entered into new arrangements for:
  - 'Argyle at Elderslie' joint venture with Investa in New south Wales
  - Wollert, Victoria joint venture with AustralianSuper (approx. 2,000 lots)

FY15 Results & Outcomes

Finance

- Gearing (net debt/ total assets) remains low and further improved to 13.6% (total net debt $88.9 million) from 17.1%

- $250 million multi-option 'Club' debt facility approved (up from $175 million)
  - Four banks (previously three) provide flexible corporate funding
    - No presales requirement prior to commencing horizontal development
    - 'Come and go basis' - few CPs to drawdown (subject to covenant compliance)
    - Evergreen characteristics – current termination date 30 September 2017 but extended for 12 months at each annual review (19th year of operation)

- Multicurrency MTN Programme established in Singapore (SGD500 million)
  - No notes issued as yet
  - Provides ready access to international term debt capital markets
    - Firepower to pursue major direct property acquisitions and suitable corporate combinations

Vision

Why We Exist

We are driven by the belief that housing matters and communities matter. The home they grow up in and its neighbourhood has a significant influence on peoples lives.

Housing Matters

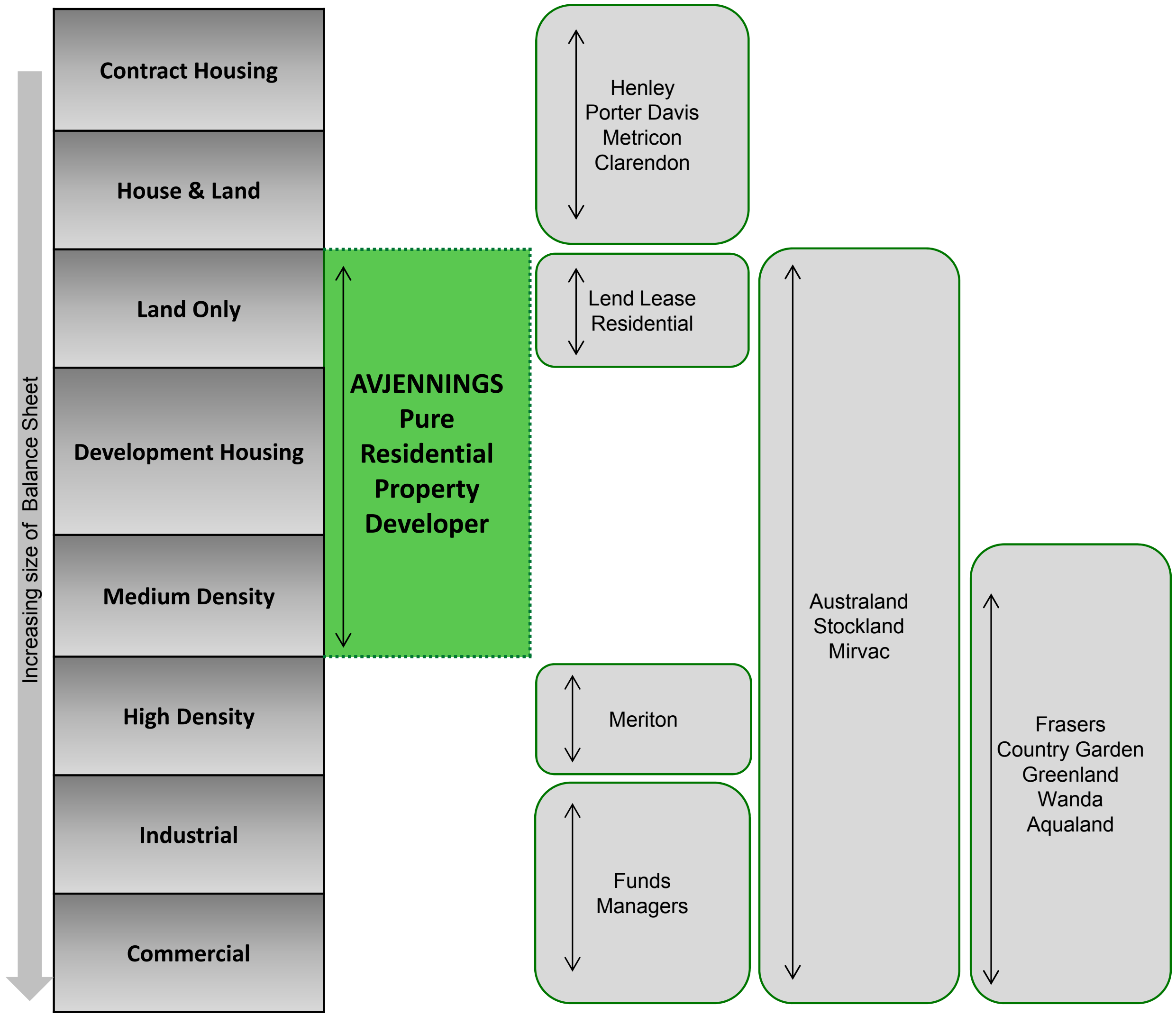
Community Matters

Strategy

What We Do

Leading developer of high quality, value for money, master-planned communities and urban renewal sites in Australia and New Zealand

- Pure residential developer
- Entirely based on land which is owned or controlled by the Company
- Predominantly staged horizontal development rather than high rise
- Internal building capability



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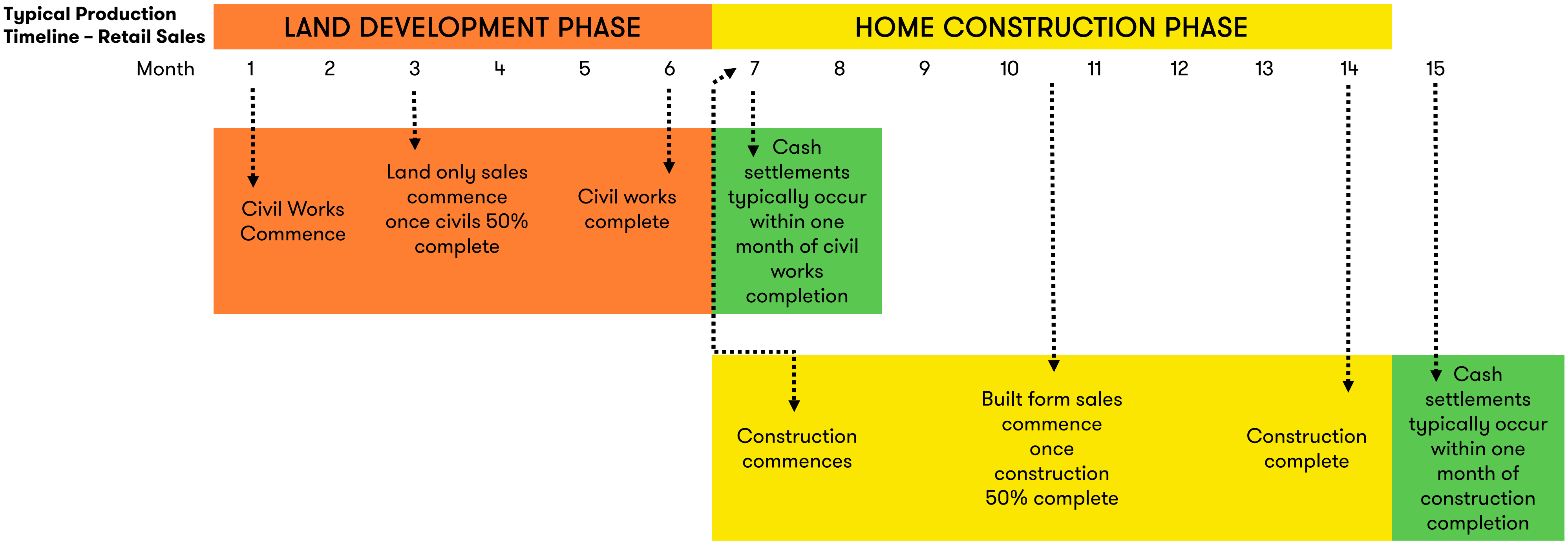
Strategy

What We Do – Products We Develop & Sell

Product type: Land; Terraces/Townhomes; Detached Housing and Low-medium rise apartments



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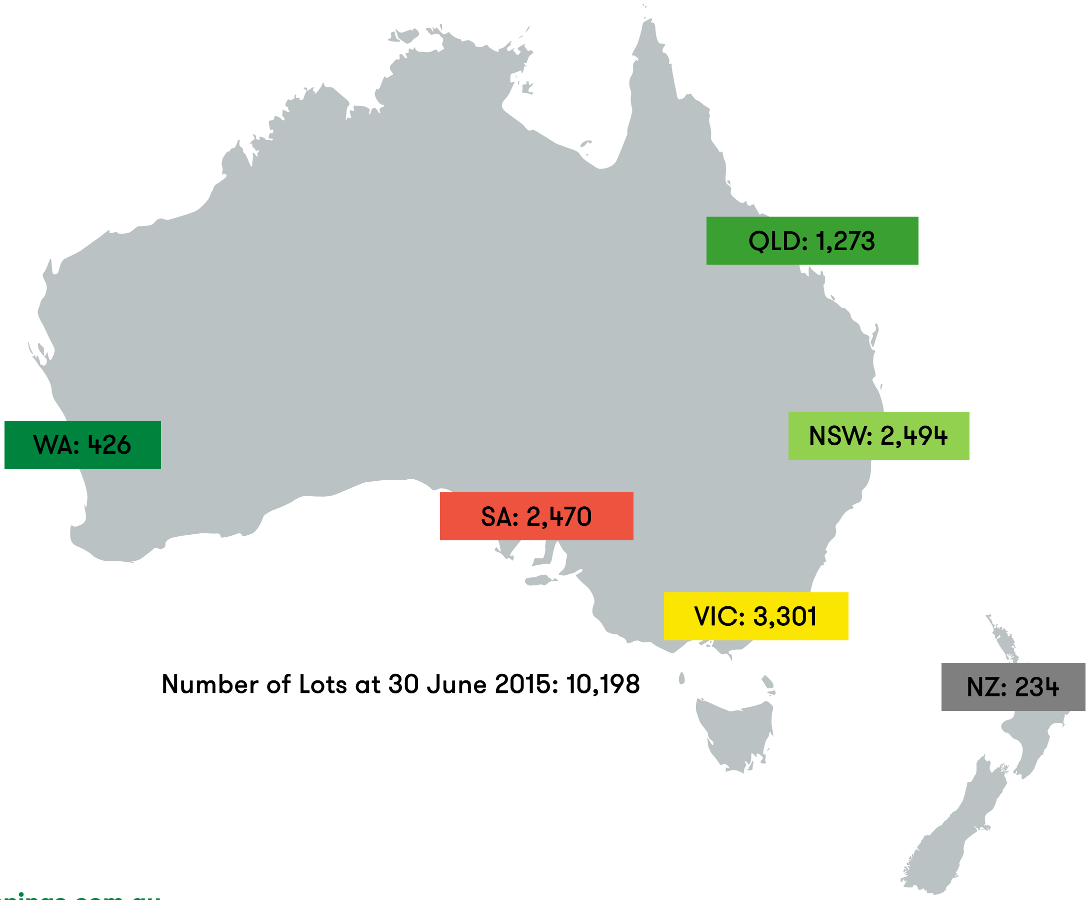
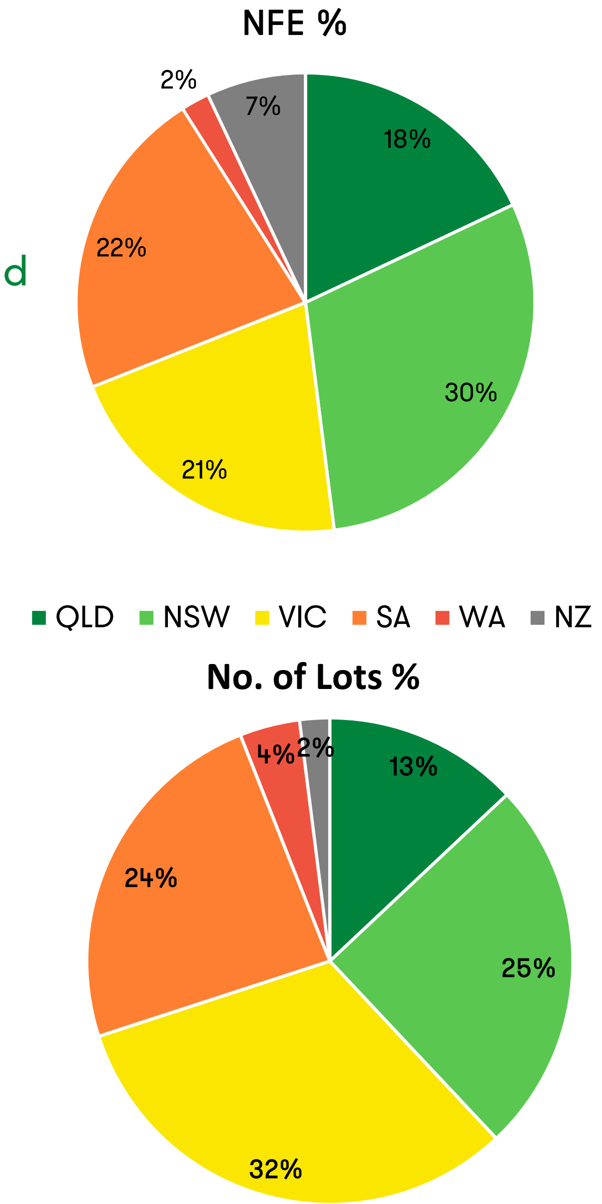
Strategy
Where

Diversified mainly across eastern seaboard capitals, Adelaide and Auckland to maximise opportunity and reduce concentration risk



Number of Lots at 30 June 2015: 10,198

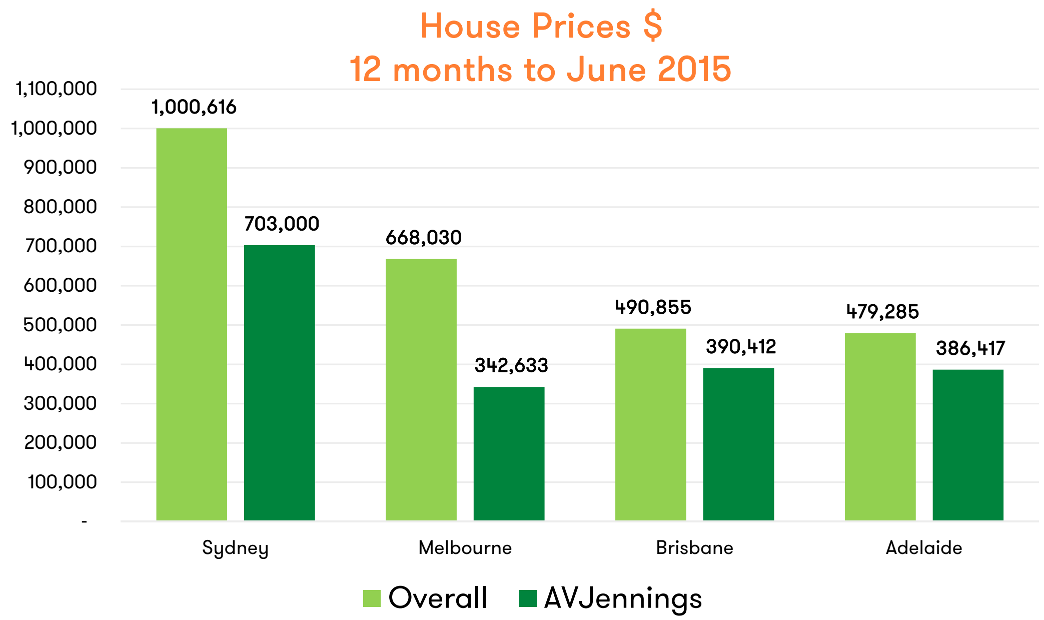


Strategy
Buyer Profile

- Retail Customers – generally split 15-20% first homebuyers, 25-30% domestic investors, 50-60% trade-ups/ downsizers - foreign domiciled buyers less than 1%

- B2B business – other builders buy our land
  - A growing part of our business
  - Doubled in FY15

- Focus is on the deepest part of the market, which requires strong emphasis on supply of quality affordable product



Overall capital city figures are the Median and have been sourced from Domain House Price Report June Quarter 2015, and include detached housing and town homes but not units. AVJennings figures are based on Average selling price. Only town homes have been sold in Melbourne by AVJennings in the 12 months to June 2015. AVJennings Brisbane data includes sales from projects in the Sunshine Coast, Ipswich, and Gold Coast

Business Model & Key Features

- Horizontal development model allows for more flexible operational planning
  - Decisions made in stages rather than for whole of project
    - can accommodate up to date market conditions in decision making

- Integrated building (i.e. building on our own land) is a key feature
  - 'Turnkey' sale of completed home means limited purchaser variation risk
  - Most efficient use of land – maximise yield through mix of dwellings
  - Used to stimulate activity and establish project 'tone'

- Strength of AVJennings brand is critical to strategy
  - Customers continue to value the brand and what it stands for
    - Such as; trust, reliability, value and quality
  - Brand also strong with other key stakeholders such as suppliers, government, land owners, financial institutions and other industry participants

Business Model & Key Features

- Attractive, high quality, affordable housing

- Volume driven, not price driven
  - Average gross margins reasonably steady throughout the cycle (low – high 20% depending upon product mix)
  - Corporate administration costs fixed
    - Corporate overhead efficiency improves as revenue rises
  - Variable costs largely tied to production/ revenue

- People focus both internally and externally

Current Issues

Affordability / Prices

- Affordability is an issue however the AVJennings model addresses this through:
  - Control over built form
  - Maximising efficiency of land use
  - Good quality product
  - Understanding our customers needs

- Mortgage serviceability remains manageable and is below historic peaks

- Recent price escalation in some markets such as Sydney follows a long period of stagnation
  - Zero to low real price growth over the prior 10 years

- Controls in our industry remain tight: No auctions; Transparent and comparable pricing; Banking controls.

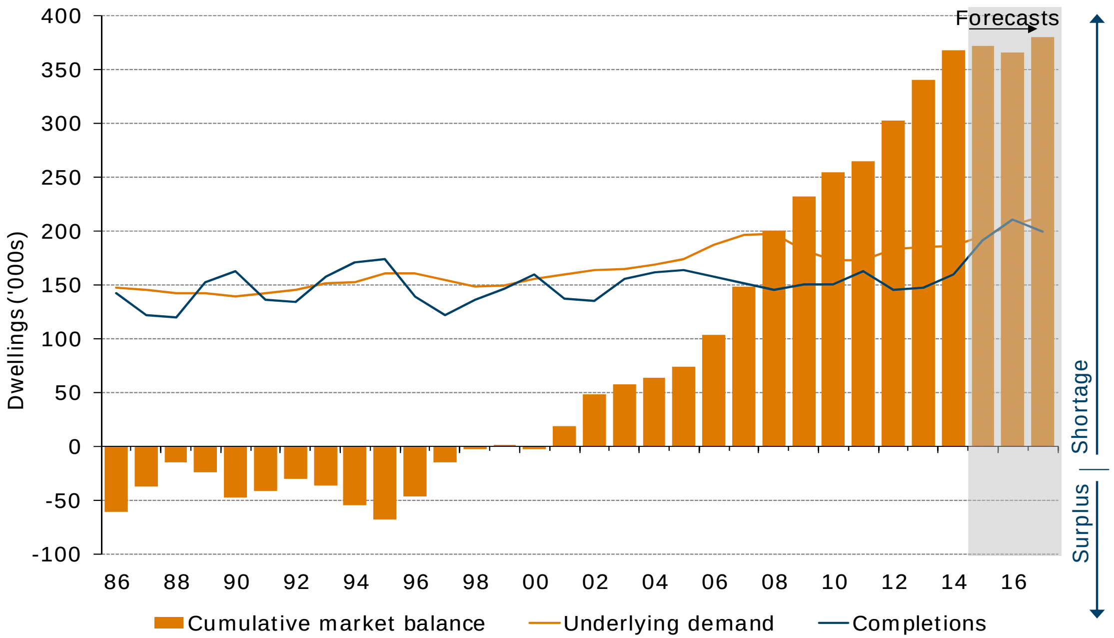
Current Issues

Supply is the answer

- Too much focus on the short term. Recent outcomes are a result of failure over the past ten years to address the lack of supply in many areas
  - There is a serious under supply of housing in Sydney and Auckland which has driven recent price growth

- Housing is a basic need

- If the issue of supply is not addressed then affordability will generally worsen



Sources: ABS, ANZ

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Current Issues

Reform

- Australia is overdue for a serious debate about reform.
- Stamp Duty was set to be abolished in 2000 with the introduction of the GST.
- There needs to be reform regarding red and green tape and the time it takes to gain approval to develop housing communities.
- We take a long term approach and need consistency and transparency from governments
- Timely delivery of infrastructure is critical and the funding of infrastructure needs to be more transparent

Market Reality

New South Wales & Queensland

NEW SOUTH WALES

- Sydney is the strongest market in the country
- Pent up demand and inadequate land supply fuelling activity
- State Government and local councils increasingly responsive but need to do more faster
- AVJ perspective:
  - Selling prices and input costs firming - margins stable
  - Increasing focus on land only rather than built form
  - Accelerating production targets is challenging
  - 'Arcadian Hills' and 'Argyle at Elderslie' are strong contributors to profit
  - Good selling prices achieved at 'Magnolia' so Warnervale project outlook is positive

QUEENSLAND

- Brisbane, Noosa, Caloundra and Coomera markets rising
- Piecemeal supply response
- AVJ perspective:
  - Market demand currently dictates greater focus on built form over land only relative to other States
  - More investor purchasers than other States
  - 'Elysium' virtually sold out
  - 'Creekwood' performing strongly boosted by significant infrastructure investment in the catchment

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Market Reality

Victoria & South Australia

VICTORIA

- Land supply and demand relatively balanced – no overhang of developed stock as in the early 1990s
- Detached housing and land supply disconnected from inner-Melbourne apartments
- AVJ perspective:
  - Greater focus on large scale communities relative to QLD and NSW
  - Emphasis on land only or home building varies
  - Results will be enhanced by 'Waterline' project and Wollert joint venture with Australian Super

SOUTH AUSTRALIA

- Residential market relatively soft but State Government response positive
  - More subsidies and greater land supply than in other States
- AVJ perspective:
  - 'St Clair' and 'Eyre' both long term projects that have achieved key milestones
  - Earnings buoyed as St Clair now wholly owned

Market Reality

New Zealand & Western Australia

NEW ZEALAND

- Auckland residential market very active and driven by:
  - pent up demand
  - positive net migration (internal and external) and
  - leaky roof syndrome
- Affordability is a critical social issue
- AVJ perspective:
  - 'Hobsonville Point' project is an AVJ flagship
  - Further expansion in Auckland likely

WESTERN AUSTRALIA

- Overall economic outlook soft - early transition from resources
- Residential market somewhat fragmented but good support for apartments in certain inner Perth suburbs remains
- AVJ perspective:
  - Under $10 million invested in four projects in Perth
  - Opportunity to maintain the brand, learn the market, build relationships and identify counter-cyclical acquisition opportunities

Outlook

- Key economic drivers are positive
  - Low interest rate outlook
  - Low inflationary expectations
  - Stable employment environment
  - Strong population growth
- Continuing housing shortages – especially in Sydney and Auckland

AVJ Perspective

- Strong platform for growth – profit and dividend, contract building business behind us
- Level of contracts carried over into 1H FY16 gives a strong start
- FY16 contract signings guidance is 1,800 to 2,100 lot
- Adverse weather impact on FY15 will benefit FY16
- FY16 outlook based on projects already acquired
- Acquisitions in FY15 provide strong base for operations beyond FY16

Appendices

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Lot Settlements & Land Payments[1]

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Total settlements (units)	1,846	1,841	1,472	1,175	861	829	1,254	1,538
NSW settlements (units)	275	245	304	144	110	158	200	493
VIC settlements (units)	895	1,220	523	671	395	186	329	247
QLD settlements (units)	354	180	381	116	172	121	352	409
SA settlements (units)	322	196	264	182	105	166	138	144
NZ settlements (units)	-	-	-	62	79	198	235	245
Lots under control at end of period[3]	10,876	9,825	9,480	11,259	10,837	9,952	9,219	10,198
Work in progress (units)	1,025	450	521	667	318	715	1,264	1,512
Work in progress ($ million)	130.5	64.2	45.4	95.2	61.9	72.1	127.3	158.5
Revenue from settlements ($ million)	347.1	345.1	248.8	195.5	182.3[2]	152.2[2]	244.4[2]	308.8
Land Payments ($ million)	151.9	27.8	47.8	38.1	68.0	28.4	53.9	68.1

1. *Excludes Contract Building Division sold to Sekisui House Australia in August 2010*
2. *Includes revenue from SA JV Build Out to September 2014*
3. *Includes some contracts where revenue has been recognised on an unconditional contract basis*

Project Pipeline at 30 June 2015

REGION	Project Name	Remaining No. of Lots	Pre	FY16	FY17	FY18	FY19	FY20 +
QUEENSLAND	Halpine Lake, Mango Hill	151						
	Creekwood, Caloundra	388						
	Glenrowan, Mackay	177						
	Essington Rise, Leichardt	77						
	Nottingham Square, Calamvale	31						
	Villaggio, Richlands	67						
	Bethania	135						
	Elysium, Noosa Heads	12						
	Big Sky, Coomera	235						
NEW SOUTH WALES	Argyle, Elderslie	445						
	Magnolia, Hamlyn Terrace	428						
	Spring Farm	219						
	Ravensworth Heights, Goulburn	92						
	Seacrest, Sandy Beach	123						
	Arcadian Hills,Cobbitty	324						
	Cobbitty	203						
	Lakes Edge, The Ponds	37						
	Boundary Road, Schofields	21						
	Warnervale	595						
VICTORIA	Arena, Officer	10						
	Lyndarum North, Wollert	241						
	Wollert JV (Options)	1,820						
	Lyndarum, Epping North	47						
	Arlington Rise, Portarlington	197						
	Hazelcroft, Doreen	295						
	Williamstown	691						
SOUTH AUSTRALIA	Pathways, Murray Bridge	54						
	River Breeze, Goolwa North	80						
	St Clair, Cheltenham JV	642						
	Eyre at Penfield	1,684						
NZ	Hobsonville Point (Catalina Precinct), Hobsonville	234						
WESTERN AUSTRALIA	Indigo China Green	124						
	Viridian China Green	74						
	The Heights Kardinya	111						
	Viveash	71						
	Parkview, Ferndale	46						
	TOTAL NO. OF REMAINING LOTS	10,181						

- *Total No. of Remaining Lots does not include 18 remnant lots*
- *Note that it is not possible for the reader of this briefing to calculate the remaining number of lots from year to year because that number is a product of not only lots purchased and settled but also changes in stage reconfiguration*

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